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December 13, 2010

Employer Code: 1887
Job Number: P09-053

San Miguel Community Services District
Mike Ellison, General Manager
P.O.Box 180
San Miguel, CA 93451

Dear Mr. Ellison:

Enclosed is our final report on the results of the public agency review completed for the City of Future. Your agency's written response indicates agreement with the issues noted in the report. The written response is included as an appendix to the report. As part of our resolution process, we have referred the issues identified in the report to the appropriate divisions at CalPERS. Please work with these divisions to address the recommendations specified in our report. It was our pleasure to work with your agency and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original Signed by Margaret Junker

MARGARET JUNKER, CIA, CPA
Chief, Office of Audit Services

Enclosure

cc: Finance Committee Members, CalPERS
Peter Mixon, General Counsel, CalPERS
Lori McGartland, Chief, ERSD, CalPERS
Mary Lynn Fisher, Chief, BNSD, CalPERS
Holly Fong, Chief, EMHS, CalPERS
Honorable Board Members, San Miguel Community Services District

San Miguel Community Services District



Public Agency Review



Office of Audit Services

**Employer Code: 1887
Job Number: P09-053**

December 2010

SAN MIGUEL COMMUNITY SERVICES DISTRICT

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RESULTS IN BRIEF

We reviewed the San Miguel Community Services District's (District) enrolled individuals, health and retirement contributions, member earnings and required health, retirement and Automated Communications Exchange System (ACES) documentation for employees included in our test sample. A detail of the exceptions is noted in the Risk and Mitigation Table. Specifically, the following exceptions were noted during the review:

- The value of uniforms was not reported.
- Payrates were not reported correctly for two sampled employees.
- Regular earnings were not reported correctly.
- Retirement contributions were not submitted timely.
- Retired annuitant exceeded the 960 hour threshold and was not reinstated.
- Required health enrollment forms were not maintained.
- Documentation to support dependent eligibility for health benefits was not on file.
- One sampled health contribution payment was not submitted timely.
- An ACES user security agreement form was not maintained on file for one authorized user and two deletion forms were not submitted for disabled users.

BACKGROUND

The California Public Employees' Retirement System (CalPERS) provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The agencies contract with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CalPERS Employer Services Division (ERSD) manages contract coverage for public agencies and receives, processes, and posts payroll information. CalPERS Benefit Services Division (BNSD) provides services for eligible members who apply for service or disability retirement. BNSD sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits. The Office of Employer and Member Health Services (EMHS), as part of the Health Benefits Branch (HBB), provides eligibility and enrollment services

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to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts.

Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

The employers' knowledge of the laws relating to membership and payroll reporting facilitates the employer in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

The San Miguel Community Services District is a multi-purpose special district established February 1, 2000, by the consolidation of the San Miguel Fire Protection District, the Water Works District #1, and the San Miguel Lighting District. The District is a political subdivision of the State of California and operates under a Board of Directors-Manager form of government. The District provides fire protection, street lighting, water, wastewater, solid waste, and general administrative duties. Employment agreements and District Policy Manual outline all District employees' salaries and benefits and state the terms of employment agreed upon between the District and its employees.

The District contracted with CalPERS effective March 1, 2004, to provide retirement benefits for local miscellaneous employees. The District's current contract amendment identifies the length of the final compensation period as twelve month. The District contracted with CalPERS effective July 1, 2001, to provide health benefits to all employees.

SCOPE

As part of the Board approved plan for fiscal year 2009/2010, we reviewed the District's payroll reporting and enrollment processes as these processes relate to the District's health and retirement contracts with CalPERS. The objective of this review was limited to the determination that the District complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations and that prescribed reporting and

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enrollment procedures were followed. The on-site fieldwork for this review was conducted on April 6, 2010 through April 8, 2010.

The review period was limited to the examination of sampled records and processes from January 1, 2007 through December 31, 2009. To accomplish the review objectives, we performed the following:

- ✓ Reviewed the contract and subsequent amendments the District had with CalPERS, correspondence files maintained at CalPERS, and employment agreements the District had with its employees.
- ✓ Interviewed key staff members to obtain an understanding of the District's personnel and payroll procedures.
- ✓ Reviewed the payroll transactions and compared the District's payroll register with the data reported to CalPERS to determine whether the District correctly reported employees' compensation.
- ✓ Reviewed the District's payroll information reported to CalPERS to determine whether employees' payrates were reported pursuant to public salary information.
- ✓ Reviewed the District's process for reporting payroll to CalPERS to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed reported payroll to determine whether the payment of contributions and the filing of payroll reports were submitted within the required timeframes.
- ✓ Reviewed the District's enrollment practices pertaining to temporary/part-time employees, retired annuitants, and independent contractors to determine whether the individuals met CalPERS membership requirements.
- ✓ Reviewed the District's classification of employees to determine whether the District reported employees in the appropriate coverage groups.
- ✓ Reviewed the District's calculation and reporting of unused sick leave balances for retiring members.
- ✓ Reviewed employees and their dependents to determine whether the District properly enrolled eligible individuals into CalPERS Health Benefits Program.
- ✓ Reviewed health premium payment information to determine whether the payments were remitted within the required timeframe.
- ✓ Reviewed health contribution payments to determine whether the District contributed the correct employee/employer contribution amounts.
- ✓ Determined whether the District maintained the required user security documents on file and reasonable security procedures were in place for ACES users.

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RISK AND MITIGATION TABLE

In developing our opinions, we considered the following risks and mitigations. We also include our observations and recommendations.

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
1. The District may not accurately report compensation to CalPERS.	<p>We reviewed payroll records and compensation reported to CalPERS for a sample of five employees over two service periods. The service periods reviewed were the second service period of July 2009 (7/09-4) and the second service period of December 2009 (12/09-4).</p> <p>The earnings reported to CalPERS were reconciled to the District's payroll records. The District accurately reported compensation to CalPERS for the employees in our sample, except for the following:</p> <p><u>Value of Uniforms Provided was not Reported</u></p> <p>All employees of the utilities department were required to wear uniforms. The District provided these uniforms; however, the value was not reported to CalPERS as special compensation.</p> <p>Government Code, § 20636(c)(6), states, in part, "The board shall promulgate regulations that delineate more specifically and exclusively what constitutes special compensation as used in this section. A uniform</p>	<p>The District should report the value of the uniforms as special compensation for employees required to wear uniforms. The District should also verify that this information is included in labor agreements and the District policy manual.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The District may not accurately report compensation to CalPERS. (continued)</p>	<p>allowance, the monetary value of employer-provided uniforms shall be included as special compensation.”</p> <p>California Code of Regulations, § 571(a)(5), defines uniform allowance as, “Compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing, including clothing made from specially designed protective fabrics, which is a ready substitute for personal attire the employee would otherwise have to acquire and maintain. This excludes items that are solely for personal health and safety such as protective vests, pistols, bullets, and safety shoes.”</p> <p><u>Regular Earnings Were Overstated</u></p> <ul style="list-style-type: none"> • In service period 7/09-4, one employee’s earnings were \$1,396.76, but \$1,480.00 was reported. • In service period 12/09-4, the employee’s earnings were \$669.15, but \$1,480.00 was reported. • In service period 12/09-4, another sampled employee’s earnings were \$1,653.75, but \$1,680.00 was reported. <p>Government Code, § 20630(a), states, in part, “Compensation means the remuneration paid out of funds</p>	<p>The District should work with CalPERS ERSD to assess the impact of this non-reporting and determine what adjustments, if any, are needed.</p> <p>The District should ensure member earnings are accurately reported to CalPERS.</p> <p>In addition, the District should work with CalPERS ERSD to assess the impact of this incorrect reporting and to determine what adjustments, if any, are needed.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
1. The District may not accurately report compensation to CalPERS. (continued)	controlled by the employer in payment for the member's services performed during normal work hours...."	A confidential list identifying the employees mentioned in this section of the report has been sent to the District and CalPERS ERSD as an appendix to our draft report.
2. The District may not report payrates in accordance with publicly available salary schedules.	We reviewed payrates reported to CalPERS and reconciled the payrates to the District's public salary information to determine whether payrates for the sampled employees were properly authorized and reported to CalPERS. We found payrates were properly authorized and correctly reported for the sampled employees, except for the payrate instance noted in Risk 3.	None.
3. The District may not accurately report payroll information to CalPERS.	<p>We reviewed the payroll information reported to CalPERS for the sampled service periods (7/09-4 and 12/09-4). Our sample testing revealed that the District correctly reported the payroll information to CalPERS, except for two sampled employees in service period 12/09-4. These sampled employees received authorized raises; however, the increased payrates were not reported to CalPERS.</p> <p>Government Code, § 20636(b)(1), states, "Payrate means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a</p>	<p>The District should always report employees' normal base rate of pay to CalPERS.</p> <p>The District should work with CalPERS ERSD to assess the impact of this incorrect reporting and to determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
3. The District may not accurately report payroll information to CalPERS. (continued)	full-time basis during normal working hours, pursuant to publically available pay schedules.”	section of the report was sent to the District and CalPERS ERSD as an appendix to our draft report.
4. The District may fail to or did not submit payroll in a timely manner to CalPERS.	<p>We reviewed the payroll information for service periods 6/07-3, 10/07-4, 7/09-4, and 12/09-4 to determine whether payroll summary reports and retirement contributions were submitted to CalPERS within required timeframes. Required timeframes, from the close of the pay period, are 30 days for submitting payroll summary reports and 15 days for submitting retirement contributions. We found that payroll information and contributions were submitted within required timeframes, except in the following instances:</p> <ul style="list-style-type: none"> • Service period 6/07-3: The summary report and retirement contributions were received late. The summary report, due July 2, 2007, was not received until March 24, 2009. Retirement contributions, due June 19, 2007, were received by CalPERS on April 24, 2009, making the contributions over 22 months late. • Service period 10/07-4: The summary report and retirement contributions were received late. The summary report, due November 20, 2007, was not received until March 24, 2009. Retirement 	<p>The District should ensure that CalPERS receives contributions and payroll reports within the required timeframes.</p> <p>The District should work with CalPERS ERSD to assess the impact of this late reporting and determine what adjustments, if any, are needed.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>4. The District may fail to or did not submit payroll in a timely manner to CalPERS. (continued)</p>	<p>contributions, due November 5, 2007, were received by CalPERS on April 27, 2009, making the contributions over 17 months late.</p> <p>California Code of Regulations, § 565, states, "Member and employer contributions shall be received in the System's Sacramento office on or before 15 calendar days following the last day of the pay period to which they refer."</p> <p>California Code of Regulations, § 565.1, states, in pertinent part, "A complete and orderly payroll report for each pay period shall be filed with the System at its Sacramento office on or before 30 calendar days following the last day of the period to which it refers."</p>	
<p>5. The District may not enroll all eligible employees into CalPERS membership.</p>	<p><u>Excluded Employees</u></p> <p>The contract between CalPERS and the District excludes local safety employees from CalPERS membership. A cursory review of the District's records did not identify safety employees employed at the District.</p> <p><u>Optional Membership</u></p> <p>Elective officers who serve on a public commission, board, council, or similar legislative or administrative body who</p>	<p>None.</p> <p>None.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
5. The District may not enroll all eligible employees into CalPERS membership. (continued)	<p>have continuously served in office held on June 30, 1994, have optional membership rights. Elected or appointed officials elected for the first time on or after July 1, 1994, are not eligible for membership. Since the District was formed in 2000, there are no board members who have served continuously since 1994; therefore, board members were not eligible for optional membership. The District correctly excluded all board members.</p> <p><u>Temporary/Part-time Employees</u></p> <p>We selected one temporary/part-time employee to determine whether the individual met CalPERS membership eligibility requirements. Our sample testing revealed the District correctly excluded the part-time employee from membership, as the employee did not meet eligibility requirements.</p> <p><u>Independent Contractor</u></p> <p>We reviewed the District's IRS 1099 Miscellaneous Income forms for calendar years 2008 and 2009 in order to identify employees that may be misclassified as independent contractors. No individuals met our testing criteria; therefore, none were selected for further review.</p>	<p>None.</p> <p>None.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>6. The District may unlawfully employ retired annuitants.</p>	<p>One individual worked for the District as a retired annuitant during the review period. The annuitant exceeded the 960 hour threshold both fiscal years tested and was not reinstated. Specifically, records provided show that the annuitant worked 1079.16 hours in fiscal year 2007/2008 and worked 1023.33 hours in fiscal year 2008/2009.</p> <p>Government Code, § 21224(a), states, "A retired person may serve without reinstatement from retirement or loss or interruption of benefits provided by this system upon appointment by the appointing power of a state agency or public agency employer either during an emergency to prevent stoppage of public business or because the retired employee has skills needed in performing work of limited duration. These appointments shall not exceed a total for all employers of 960 hours in any fiscal year, and the rate of pay for the employment shall not be less than the minimum, nor exceed that paid by the employer to other employees performing comparable duties."</p> <p>We also determined that a bona fide separation from employment, per Government Code § 21220.5, was not needed as the sampled retired annuitant retired prior to the implementation of this section of the Government Code.</p>	<p>The District should immediately reinstate retired annuitants when they exceed 960 hours worked in a fiscal year. In addition, the District should monitor hours worked by retired annuitants each fiscal year.</p> <p>The District should work with CalPERS BNSD to assess the impact of the retired annuitant's unlawful employment and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the retired annuitant mentioned in this section of the report was sent to the District and CalPERS BNSD as an appendix to our draft report.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
7. The District may not appropriately report members under the proper coverage group code.	Our sample testing revealed that the District reported individuals under the appropriate coverage group code.	None.
8. The District may not accurately report unused sick leave balances for retiring CalPERS members.	Effective July 1, 2005, the contractual provision of Government Code, § 20965, credit for unused sick leave, became a mandated benefit for the District. The District did not have employees who retired during the review period; therefore, no further testing was necessary.	None.
9. The District may not properly enroll eligible employees and their dependents in health benefits.	<p>We reviewed a sample of four employees to assess the health benefits eligibility and enrollment of members and their dependents. Our sample testing revealed that the District properly enrolled eligible employees and their dependents in CalPERS Health Benefits Program, except for the following:</p> <ul style="list-style-type: none"> • The District did not have Declaration of Health Coverage (HB-12A) forms on file for sampled employees. • The District did not provide a copy of marriage certificates to support the enrollment of two sampled member's dependents. 	<p>The District must ensure that the proper member and dependent enrollment documentation is on file at the District within 60 days from the date of our final report.</p> <p>Please send an email to: <i>HBB_Audit_Services@Calpers.ca.gov</i> once the requested documentation is on file. The CalPERS HBB may be contacted at (916) 795-3836 with any questions.</p> <p>A confidential list identifying the</p>

SAN MIGUEL COMMUNITY SERVICES DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
9. The District may not properly enroll eligible employees and their dependents in health benefits. (continued)	<p>The HB-12A provides information on enrollment options and consequences for non-enrollment. The HB-12A is to ensure compliance with the Health Insurance Portability and Accountability Act (HIPAA). Effective January 1, 1998, each employee must sign the HB-12A when they are first eligible to enroll or when they make any change to their health coverage. This includes open enrollment changes, changing health plans when moving, adding or deleting a dependent, or canceling health benefits. The employer must provide the HB-12A at the time the employee requests enrollment or with the Health Benefit Plan Enrollment (HBD-12) form. The employer also must provide the employee a copy of the signed form and keep the original in the employee's file.</p> <p>Government Code, § 22775, defines family members as, "An employee's or annuitant's spouse or domestic partner and any unmarried child, including an adopted child, stepchild, or recognized natural child."</p> <p>CalPERS Health Benefits Program General Reference Manual, page 03-03, states, "The California Public Employees Retirement System (CalPERS), as well as the contracting agencies have a fiduciary responsibility to manage the CalPERS Health Benefits Program in a cost efficient manner. To assure that only eligible dependents</p>	employees mentioned in this section of the report has been sent to the District and CalPERS HBB as an appendix to our draft report.

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>9. The District may not properly enroll eligible employees and their dependents in health benefits. (continued)</p>	<p>are covered, CalPERS, as well as the contracting agencies, have the right to request any documentation needed to support dependent eligibility at the time of enrollment, or any time thereafter.”</p> <p>Government Code, § 20085, states, in part, “(a) It is unlawful for a person to do any of the following: (1) Make, or cause to be made, any knowingly false material statement or material representation, to knowingly fail to disclose a material fact, or to otherwise provide false information with the intent to use it, or allow it to be used, to obtain, receive, continue, increase, deny, or reduce any benefit administered by this system(4)(b) For purposes of this section, ‘statement’ includes, but is not limited to, any oral or written application for benefits, report of family relationship..., or continued eligibility for a benefit or the amount of a benefit administered by this system. (c) A person who violates any provision of this section is punishable by imprisonment in a county jail not to exceed one year, or by a fine of not more than five thousand dollars (\$5,000), or by both that imprisonment and fine. (d) A person violating any provision of this section may be required by the court in a criminal action to make restitution to this system...for the amount of the benefit unlawfully obtained.”</p>	

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
10. The District may not contribute the appropriate health contribution amounts for active employees.	We reviewed the health contributions reported for December 2009. We determined that the District contributed the appropriate health contribution amount as part of the sampled members' total monthly premium amount.	None.
11. The District may not remit health contributions within the required timeframe.	<p>We reviewed the health contribution payments for January 2009 and March 2009. Health contribution payments are due by the 10th day of the month for which the contributions are due. We determined that the District remitted the health contribution payments within the appropriate timeframe for March 2009; however, the health contribution payment for January 2009 was six days late.</p> <p>Government Code, § 22899(a), states, in part, "The contributions required of a contracting agency, along with contributions withheld from salaries of its employees, shall be forwarded monthly, no later than the 10th day of the month for which the contribution is due."</p> <p>Government Code, § 22899(c), states, in part, "If a contracting agency fails to remit the contributions when due, the agency may be assessed interest at an annual rate of 10 percent and the costs of collection, including reasonable legal fees, when necessary to collect the</p>	The District should ensure health contributions are received by CalPERS no later than the 10th day of each month for the month in which the payments are due.

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>11. The District may not remit health contributions within the required timeframe. (continued)</p>	<p>amounts due.”</p> <p>California Code Regulations, § 599.515(b), states, in part, states, "The agency shall file in the Health Benefits Division on or before the tenth day of each month such reports covering the employees and annuitants enrolled as of the first day of the month as the Board may require, and the total contributions for each. The reports shall be accompanied by payment of the total of such contributions for employees and the employer contributions due for annuitants of the agency enrolled under the program and the employer contribution for administrative costs and the Public Employee's Contingency Reserve Fund."</p>	
<p>12. The District may not maintain appropriate ACES security procedures.</p>	<p>We reviewed the security procedures for the District's ACES users to determine whether reasonable security precautions were maintained and to determine whether the required security documents were properly completed and filed for ACES users.</p> <p>We determined the District maintained reasonable security precautions. However, the District did not retain an ACES Employer Security Agreement (AESD-43) for the one authorized user. In addition, the District did not complete or submit Delete ACES User Access (AESD-42) forms for two employees who had been disabled by the District from accessing ACES. All three forms were completed during</p>	<p>The District should ensure that ACES user security agreements are completed timely and retained in a secure worksite location for the life of the Agreements and for two years following the deactivation or termination of the Agreements.</p> <p>A confidential list identifying the employees mention in this section of the report has been sent to the District and CalPERS</p>

SAN MIGUEL COMMUNITY SERVICES DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
12. The District may not maintain appropriate ACES security procedures. (continued)	<p>the onsite field review and were submitted to CalPERS.</p> <p>CalPERS ACES Security procedures outlined on the CalPERS website at www.calpers.ca.gov require agencies to keep a signed copy of security documents on file for ACES users. An AESD-43 must be completed for each employee using CalPERS on-line access and be available to CalPERS upon request. Forms must be retained in a secure work site location of the employer, for the life of the Agreement and for two years following the deactivation or termination of the Agreement. CalPERS is to be notified immediately in the event that any of its sensitive or confidential information is subjected to unauthorized disclosure, modification, or destruction. An AESD-42 must be completed and submitted to CalPERS when requesting the deletion of a user account. Agencies must complete and submit this form to notify CalPERS when an employee will no longer be an ACES user.</p>	ERSD as an appendix to our draft report.

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CONCLUSION

We limited this review to the areas specified in the scope section of this report. We limited our test of transactions to samples of the District's payroll reports and personnel records. The sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code, except as noted above.

Respectfully submitted,

Original Signed by Margaret Junker

Margaret Junker, CPA, CIA, CIDA
Chief, Office of Audit Services

Date: Decemberr 2010

Staff: Michael Dutil, CIA, Senior Manager
Diana Thomas, CIDA, Manager
Karen Harlan
Nancy Sayers

APPENDIX

SAN MIGUEL COMMUNITY SERVICES DISTRICT WRITTEN RESPONSE

November 23, 2010

Margaret Junker, CPA, CIA, CIDA
Chief, Office of Audit Services – CalPERS
PO Box 942701
Sacramento, CA 94229-2701

**RE: CalPERS Draft Audit Dated November 2, 2010
District Response**

Dear Ms. Junker:

With this letter, we are responding to the draft public agency review document we received on November 8, 2010. Please see below our responses to each of items from the “*Risk and Mitigation Table.*” :

	RISK	OUR COMMENTS TO THE RISK
1	The District may not accurately report compensation to CalPERS	<p>Prior to my tenure here, which started August 4, 2008; the prior personnel employee did not complete or keep accurate records. In point of fact, she was terminated for mishandling her job duties. Most specifically, the payroll and payroll reporting duties.</p> <p>When I started, I had been out of government for about 10 years and ACES was completely new to me. I made some minor (according to your auditor) mistakes due to my ignorance of how ACES was worked – I had been on the job exactly one week when the first payroll was due. There were errors made and most were corrected when they were later found or when I was contacted by a CalPERS rep. The main errors that came to light for me that needed to be fixed was the actual earning earned vs.</p>

		<p>reported earnings. I now understand how this process is to be done.</p> <p>The utility workers are not mandated nor required to wear uniforms. Nor do they get a uniform allowance.</p>
2	The District may not report pay rates in accordance with publicly available salary schedules	There was an instance where our salaried employee's <u>yearly gross</u> earnings did not get updated in the ACES when the correct monthly earnings were entered. This was an oversight of mine and an issue in ACES. This oversight will not happen again and in fact the errors were corrected at the time of the audit in April of 2010.
3	The District may not accurately report payroll information to CalPERS	This again was an oversight I made and will not happen again, now that I am aware of it.
4	The District may fail to or did not submit payroll in a timely manner to CalPERS	As mentioned under Risk No. 1; the employee responsible for this issue was terminated for just this type of disregard for her responsibilities. You may notice that since August 2008, this problem has disappeared. There have been a couple bumps due to incorrect posting on CalPERS part; however, this was before we started sending our payments electronically.
5	The District may not enroll all eligible employees into CalPERS membership	No comment is necessary. However, for the record, our elected Board of Directors has legislatively excluded themselves from ANY sort of remuneration from the District for their service thereto.
6	The District may unlawfully employ retired annuitants.	As to our part-time fire chief Roland Snow, <u>he never has been on an hourly pay basis but always on a flat rate basis for his allowed time.</u> The terminated employee (mentioned above) entered hours and pay rate incorrectly for his payroll – and this was also specified and clearly

		explained to your auditor during the audit. The terminated employee erroneously reported the number of hours for all employees, including Roland Snow. <u>He has never gone over the 960 hours he is allowed, ever.</u>
7	The District may not appropriately report members under the proper coverage group code.	I was not made aware of this. I'll need to be educated further on this issue if there are errors; as to my current knowledge all is correct.
8	The District may not accurately report unused sick leave balanced for retiring CalPERS members	The District's employees elected to have one "pot" of paid time off that is allowed for any use. We do not accrue separate time for "sick leave." All earned paid time off is lumped under one "Paid Time Off" category that is used for any reason the employee needs time off.
9	The District may not properly enroll eligible employees and their dependents in health benefits.	Form HB-12A has been provided for all employees eligible. Marriage certificate is also available.
10	The District may not contribute the appropriate health contribution amounts for active employees.	No response provided as the audit itself states we are in compliance.
11	The District may not remit health contributions within the required timeframe.	The employee responsible for the late payments has been terminated.

12	The District may not maintain appropriate ACES security procedures.	We were unaware of the forms needed to delete user access on past employees; however, their login has been disabled/cancelled within the ACES system and they cannot access ACES in any way. We were also unaware that an “ <i>ACES Employer Security Agreement (AESD-43)</i> ” was required.

Since my hire date of August 4, 2008, I have striven to pursue the proper education to catch up with the changes to CalPERS reporting. I have studied current manuals, attended online learning sessions, and consulted CalPERS representatives numerous times. I always strive to carry out my duties and responsibilities in a timely, professional and error-free manner.

I’ve worked closely with my general manager in cleaning up the messes left by the employee that I replaced. It has taken almost two years to accomplish this – and we still occasionally find something else that crops up.

Thank you for your time and consideration of this matter. You can further communicate with me via email [loric@sanmiguelcsd.org] or telephone [805-467-3300] anytime.

Sincerely,

Lori Colombo,
Administrative Assistant